GOVERNMENT OF INDIA
FINANCE
LOK SABHA

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Small Finance and Payment Banks
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has granted in principle approval for setting up of Small Finance Banks and Payment Banks in the recent past and if so, the details thereof along with the time by which the said banks are likely to be opened by successful entities;

(b) whether Reserve Bank of India / Government has prescribed any guidelines in this regard and if so, the details thereof; along with the manner in which the guidelines are likely to be enforced; and

(c) whether the Government has announced payment system innovation awards to encourage innovators in the areas of payment and settlement and if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance

(a) to (c): Reserve Bank of India (RBI) issued guidelines for licensing of small finance banks and payments banks on November 27, 2014 and granted in-principle approvals to 10 applicants to set up small finance banks and to 11 applicants to set up payments banks.

The guidelines for small finance banks provide inter-alia that (i) eligible promoters could be resident individuals/professionals with 10 years of banking and finance experience including companies controlled by them etc. (ii) shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections (iii) The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore and (iv) all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).

The guidelines for payment banks provide inter-alia that (i) eligible promoters can be non-bank Pre-paid Payment Instrument (PPI) issuers; and other entities like mobile telephone companies etc. (ii) shall primarily accept demand deposits upto maximum balance of Rs. 1,00,000 per individual customer. (iii) Issue ATM/debit cards, payments and remittance services. (iv) maintain CRR with the Reserve Bank on its outside demand and time liabilities and invest at least 75 per cent of its "demand deposit balances" in SLR eligible Government securities/treasury bills.

Licensed under Section 22 (1) of the Banking Regulation Act, 1949, Small Finance and Payment banks have to comply with all regulatory and supervisory frameworks that are applicable to commercial banks with suitable calibrations in view of the differentiated scope of such banks.
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